Austin Engineering Ltd

HY15 Results Presentation

WESTECH JEC

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Key Items

- Revenue for the half-year was 4% lower than the PCP. However, normalised EBITDA was 10% higher
- $40.9m of non-cash impairment charges were booked, reflecting subdued market conditions
- Operating cash flow improved $8.4m reflecting operational improvements and stock reduction initiatives
- Net Debt levels reduced by $3m, with high repayments and cash injections offsetting adverse fx movements
- A debt reduction strategy designed to reduce debt levels predominantly from realising existing surplus assets. Gross Debt: Normalised EBITDA to reduce progressively to 3.0:1 by March 2016
- The company has agreed a variation to the existing facility agreement with the banking syndicate which reflects its debt reduction strategy and expected trading over the next 12 months

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HY15 Financial Performance

	1H 13/14 $m	1H 14/15 $m	Half on Half % Change
Sales	106.1	102.1	-4%
Gross Margin %	35%	37%	6%
Normalised EBITDA	8.2	9.0	10%
Depreciation	(5.1)	(5.2)	1%
Amortisation / Impairment	(0.4)	(41.4)	10246%
Interest Income	0.0	1.4	100%
Interest Expense	(1.5)	(3.0)	98%
Tax (Expense) / Credit	(0.3)	1.0	-433%
Operating Cash Flow	(3.2)	5.2	8.4

	Jun-14 $m	Dec-14 $m	$ Change
Net Debt	90.3	87.3	(3.0)
Working Capital	33.9	23.0	(10.9)

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HY15 Financial Performance

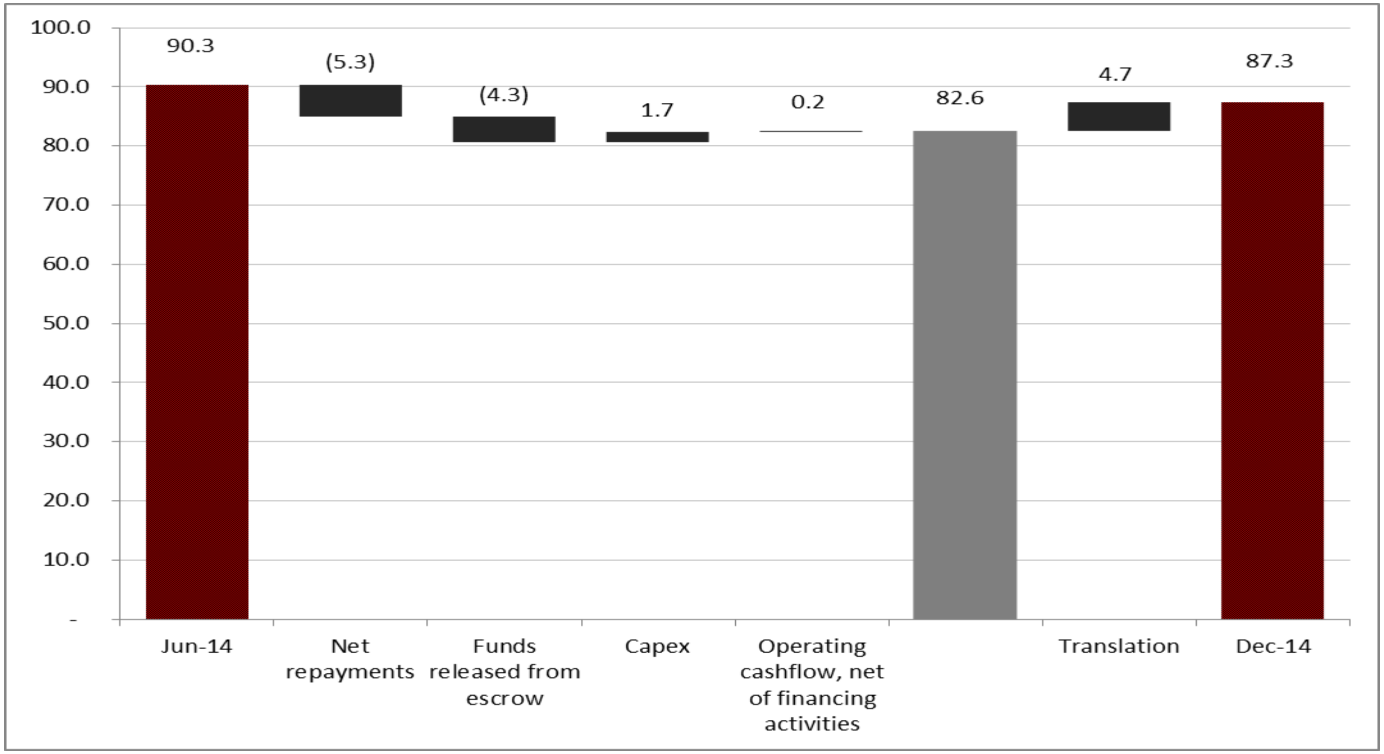
- A flat normalised Revenue and EBITDA result was achieved versus the PCP
- GM% improving to 37% was a pleasing result and results from efficiencies gained despite pressure on price
- A reduction in Net Debt of $3m as $5m repayments and $4m of funds released from Escrow, were offset by $4m of adverse fx movements in $US debt and $2m Capex
- Working capital has reduced by 32% predominantly from reductions in inventories ($4m) and write-downs of WIP ($4m)
- Operating cash flow improvement of $8m vs PCP due to operational improvements and the stock reduction program

Reconciliation of Normalised EBITDA

	EBITDA $m	NPAT $m
Reported Results	(35.3)	(41.6)
Restructuring Costs	1.0	0.7
Impairment Charges	40.9	40.9
Legal costs *	2.5	1.6
Underlying Results	**9.0**	**1.6**

* Legal costs associated with defending patent infringement claims against Westech in the USA. The case is currently set for trial in July 2015. Westech believes it has a strong defence to the infringement claims

Net Debt



- The Net Debt result excluding fx translation was a reduction to $82.6m over the last 6 months. $US adverse movements affected this negatively by $4.7m to arrive at a final value of $87.3m
- Funds released from Escrow are funds previously tied up in a property deal which we have chosen not to pursue

Working Capital

	$m
Working Capital at 30 June 2014	33.9
Receivables	3.3
Payables	(6.3)
Inventories	(7.9)
Working Capital at 31 December 2014	**23.0**

- $11m (32%) reduction in working capital since June
- Inventories have reduced due to the stock reduction program as well as write-downs in Peru
- Positive result in Payables due to extended payment terms with suppliers, in addition to an increase in advance deposits received from customers

Debt Reduction Strategy

- The Company has negotiated new covenants to commence on 31 March 2015
- The variation reflects expected trading over the next 12 months and the agreed debt reduction strategy as foreshadowed at the AGM
- The agreed covenants reflect the Company strategy and cover the following:
  - The size of the debt reduction required
  - The budgeted internal forecast for the next 12 months trading including appropriate headroom
- The debt reduction strategy is principally based around realising existing surplus assets and meeting forecast trading results and cash flows over the next 12 months

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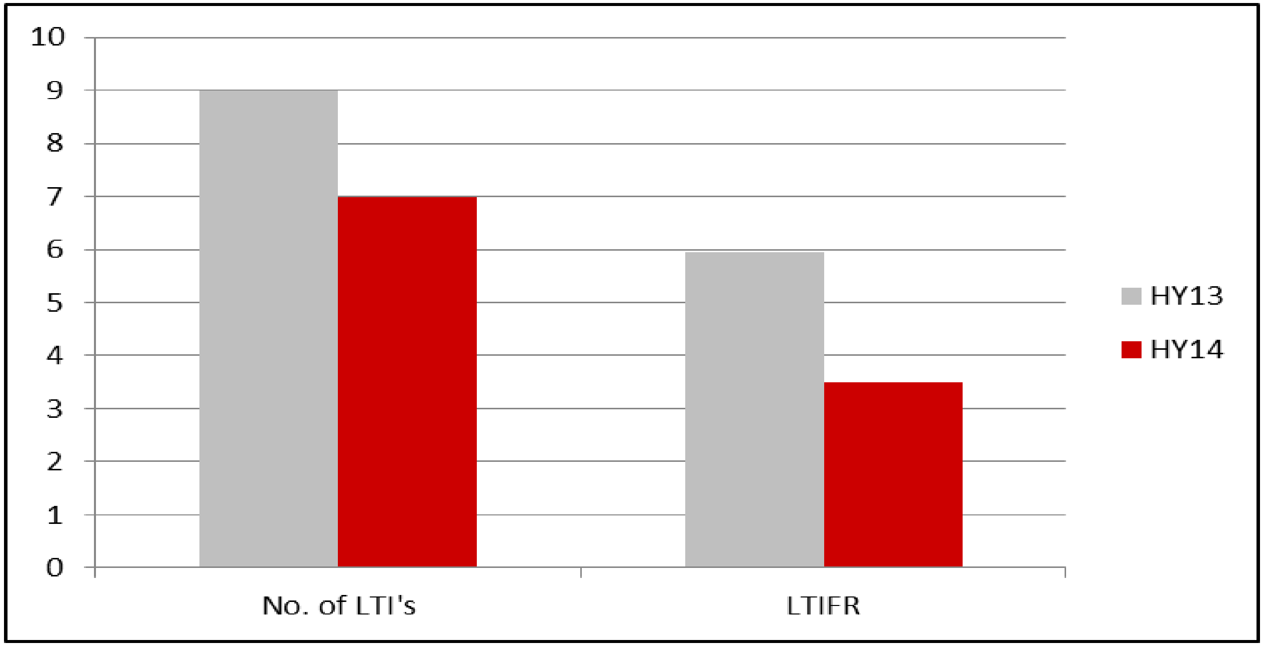
Safety



- LTFIR reduced from 5.9 to 3.5 on the PCP

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Segment Results

	1H 13/14 $m	1H 14/15 $m	Half on Half % Change
Revenue:			
Australia	61.8	58.8	-5%
Americas	42.8	37.5	-12%
Middle East	0.4	0.0	-100%
Asia (Indonesia)	1.4	5.8	320%
	106.4	**102.1**	**-4%**
Normalised EBITDA*:			
Australia	3.6	3.4	-5%
Americas	4.7	3.8	-18%
Middle East	0.0	0.0	-100%
Asia (Indonesia)	0.0	1.8	-4261%
	8.2	**9.0**	**10%**
EBITDA % Margin:			
Australia	5.8%	5.8%	0%
Americas	10.9%	10.3%	-6%
Middle East	0.0%	N/A	
Asia (Indonesia)	0.0%	31.5%	100%
	7.7%	**8.9%**	**15%**

Excluding impairment/one-off costs

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Operational Review

Australia

- The previous 12 month cycle formerly reported has continued i.e.
  - Increases in production levels
  - Decreases in capital for new or replacement equipment
  - Increases in OPEX maintenance of equipment
- Expenditure from Iron Ore miners is still occurring, although at reduced levels
- WA operations of Perth and Pilbara Hire performing to budget
- Expenditure from Coal operations at very reduced levels
- East Coast operations performed significantly below budget

Operational Review

Australia

- Despite the above Austin have been successful on a number of contracts including;
  - COR Cooling was successful with 2 long term contracts for service and supply of parts in the Pilbara and Hunter Valley
  - Mackay has signed a contract as a preferred supplier for the repair of tray bodies for one of the Bowen Basin's largest miners
  - Brisbane has for the first time in 18 months tendered on 2 very large contracts for expansion of existing coal mines. Should the operation be successful with one of these tenders it will supply 6 months of excellent production

Operational Review

Americas

- The market in South America has very much reflected the Australian market with decreases in expenditure while attempting to maintain/increase production levels
- The La Negra operation has suffered with lack of throughput, although the Collahausi contract announced last year is now providing an excellent base for the plant
- Tenders for the La Negra operation are at the highest level for sometime
- The La Negra operation has returned to profitability over the last 2 months
- The Calama maintenance operation continued with the long term contracts on hand. The Calama operation has a number of large tenders which the Company is confident of winning a share of these. This will put the operation in an excellent position going forward

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Operational Review

Americas

- Servigrut produced an excellent result for the half and has ongoing long term contracts in place
- Westech (USA) on a normalised basis (excluding legal costs) produced a fair result in the current market
- Westech has sold its first products into the Mexican market and expects this area to grow significantly
- The operation has a large amount of enquiries from the mines which are pending approval from their respective corporate offices
- Peru has had a very disappointing year, with both current, and new mine expenditure cut back severely. The Company will restructure this operation to suit the current market conditions

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Operational Review

Americas

- The Colombian operation reported a loss for the first half however, from December 2014 the operation has been profitable with the Prodeco site maintenance contracts now contributing
- The operation was also successful in signing a new long term contract for port services with Prodeco as well as an extension to the 2 site maintenance contract(200 people)
- Repair and new product work within the Colombian plant is also increasing, as the full capabilities of the operation become known in the local market

Operational Review

Asia

- The Indonesian operation produced a result above budget for the half-year
- Ongoing contracts until July 2015, place the operation in a strong position
- Recent contract win for supply of equipment in Tanzania
- Expect a record result for the year

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Outlook

- Austin enters the second half of FY15 with forward workload higher than the past 3 PCP's
- Tenders and quoting opportunities are also at high levels, and should the current conversion rate continue, the company is expecting an improved result in the second half
- The Company has recently won a number of long term contracts which gives it a solid sustainable base going forward
- We are also seeing that once these contracts are attained, the Company can demonstrate its ability to offer further solutions to these customers for increased productivity, which in turn creates more production for its workshops
- Continuation of new products being designed and released provide prospects for new revenue growth

Outlook

- Maintenance is becoming a very important part of the Companies base revenue (which leads to increased work as mentioned above)
- Austin will continue to focus on our strategic model of design, manufacture and service
- Austin Engineering strategic model of products and locations is still sound and will deliver significant uplifts in revenue and profit with any increase in the market place
- The Company is seeing tenders for large coal projects for the first time in 18 months
- Restructuring of Peru operations to commence
- Debt reduction strategy in place and will continue over the next 12 months.

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Austin's Principal Products

Off-highway dump truck bodies

Buckets

Water tanks

Service modules

Tyre handlers

Ancillary attachments

Industrial cooling and heat transfer systems (COR Cooling)

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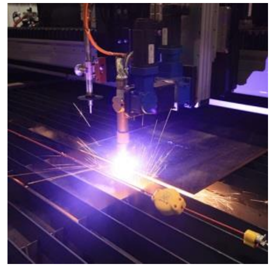
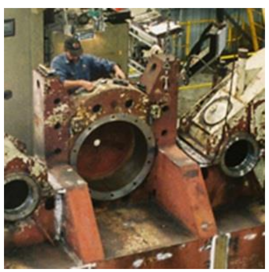
Austin Principal Services

Equipment repair and maintenance



Specialised fabrication

Painting and blasting



Specialised machining and line boring

On-site maintenance and shutdown services (Pilbara Hire)

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Austin Brands

The Austin Engineering brand encompasses design and manufacture of mining and earthmoving equipment, along with the provision of support services, from four Australian operations (Brisbane, Hunter Valley, Mackay, Perth), an Indonesian operation and Peruvian operation.

The Austin Ingenieros brand represents the company's operations in Chile and Colombia, providing design and manufacture of mining and earthmoving equipment, along with the provision of support services.

Austbore's core capabilities include general machining services, the overhaul of track frames and other mining equipment and mobile line-boring services. Austbore work closely with the Austin Engineering Mackay operation in supply of their services.

As the only national service provider and manufacturer of industrial cooling and heat transfer equipment, COR Cooling is a market leader working closely with some of the world's largest companies in the mining, marine, transport and associated industries.

Perth-based John's Engineering & Cranes Pty Ltd (JEC), was one of Australia's longest established manufacturers of Mining and Earthmoving attachments and off highway truck bodies. The JEC branded range of products are now designed and manufactured by Austin Engineering operations globally.

Pilbara Hire Group provide full turnkey, on-site repair and maintenance services throughout Western Australian mine sites, with a particular focus on mobile mining and fixed plant equipment.

Servigrut is a significant and successful supplier of heavy equipment lifting, transportation and site services to the mining and industrial markets in Chile.

Western Technology Services, or Westech, is one of the world's largest non-OEM designer and manufacturer of off highway dump truck bodies. Based in Wyoming USA, the Westech branded range of products are now designed and manufactured by the Austin Engineering Group globally.